



Control Number: 51415



Item Number: 124

Addendum StartPage: 0



**SOAH DOCKET NO. 423-21-0538
PUC DOCKET NO. 51415**

APPLICATION OF SOUTHWESTERN ELECTRIC POWER COMPANY FOR AUTHORITY TO CHANGE RATES	§ § § §	BEFORE THE STATE OFFICE OF ADMINISTRATIVE HEARINGS
---	------------------	---




**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO OFFICE OF
PUBLIC UTILITY COUNSEL'S FOURTH REQUEST FOR INFORMATION**

DECEMBER 21, 2020

TABLE OF CONTENTS

<u>SECTION</u>	<u>FILE NAME</u>	<u>PAGE</u>
Response No. OPUC 4-1	51415 OPUC04 Pkg.pdf.....	2
Response No. OPUC 4-2	51415 OPUC04 Pkg.pdf.....	3
Response No. OPUC 4-3	51415 OPUC04 Pkg.pdf.....	4
Response No. OPUC 4-4	51415 OPUC04 Pkg.pdf.....	5
Response No. OPUC 4-5	51415 OPUC04 Pkg.pdf.....	6
Response No. OPUC 4-6	51415 OPUC04 Pkg.pdf.....	7
Response No. OPUC 4-7	51415 OPUC04 Pkg.pdf.....	8
Attachment 1 to No. OPUC 4-7	51415 OPUC04 Pkg.pdf.....	9
Response No. OPUC 4-8	51415 OPUC04 Pkg.pdf.....	12
Response No. OPUC 4-9	51415 OPUC04 Pkg.pdf.....	13
Response No. OPUC 4-10	51415 OPUC04 Pkg.pdf.....	14
Response No. OPUC 4-11	51415 OPUC04 Pkg.pdf.....	15

Files provided electronically on the PUC Interchange

-  OPUC_4-1_Attachment_1_-_SWEPCO_Simulation_2020.xlsx
-  OPUC_4-2_Attachment_1_-_E4e_-_South_Central.xls
-  OPUC_4-7_Attachment_1.xlsx

SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415

SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO OFFICE OF
PUBLIC UTILITY COUNSEL'S FOURTH REQUEST FOR INFORMATION

Question No. OPUC 4-1:

Please refer to the Direct Testimony of Mr. Gregory S. Wilson at page 6. Please provide a copy of the Monte Carlo simulation study that was used by Mr. Wilson to determine his recommendations with respect to the storm reserve. Please provide the study in its native Microsoft Excel format with all formulas included.

Response No. OPUC 4-1:

The simulation spreadsheet used by Mr. Wilson is included in OPUC 4-1 Attachment 1, provided electronically on the PUC Interchange. The formulas between cell B5005 and Y5005 need to be copied into rows 2-5001 to run each iteration of the simulation.

Prepared By: Gregory S. Wilson

Title: Vice President & Principal

Sponsored By: Gregory S. Wilson

Title: Vice President & Principal

SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO OFFICE OF
PUBLIC UTILITY COUNSEL'S FOURTH REQUEST FOR INFORMATION**

Question No. OPUC 4-2:

Please refer to the Direct Testimony of Mr. Gregory S. Wilson at page 7. Please provide the supporting documentation related to the Handy-Whitman index information used by Mr. Wilson in his trended storm loss calculations.

Response No. OPUC 4-2:

The page from the Handy-Whitman index used by Mr. Wilson is attached as OPUC 4-2 Attachment 1, provided electronically on the PUC Interchange.

Prepared By: Gregory S. Wilson

Title: Vice President & Principal

Sponsored By: Gregory S. Wilson

Title: Vice President & Principal

SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO OFFICE OF
PUBLIC UTILITY COUNSEL'S FOURTH REQUEST FOR INFORMATION**

Question No. OPUC 4-3:

Please refer to the Direct Testimony of Mr. Gregory S. Wilson at page 11.

a. Please provide the analysis that was conducted by Mr. Wilson concerning the cost benefit of self-insurance for SWEPCO.

b. Please admit or deny that SWEPCO currently has commercial insurance to cover storm losses. If admit, please provide the terms and cost of such insurance. If deny, please provide an explanation of how SWEPCO currently covers the costs of major storm damage.

Response No. OPUC 4-3:

a. Mr. Wilson's analysis is described in his testimony.

b. SWEPCO maintains property insurance subject to various terms, conditions and exclusions for potential property loss. Storm losses could be a cause of property loss. However, the policy excludes coverage for transmission and distribution lines, conductors, poles, towers, and attachments thereon, unless within 1,000 feet of a covered facility.

Prepared By: Randall W. Hamlett

Title: Dir Regulatory Acctg Svcs

Prepared By: Paul D. Flory

Title: Regulatory Consultant Sr

Sponsored By: Drew W. Seidel

Title: VP Dist Region Ops

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

Sponsored By: Gregory S. Wilson

Title: Vice President & Principal

**SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO OFFICE OF
PUBLIC UTILITY COUNSEL'S FOURTH REQUEST FOR INFORMATION**

Question No. OPUC 4-4:

Please refer to the Direct Testimony of Mr. Gregory S. Wilson, Exhibit GSW-3. Please provide the details concerning the storm costs for the year 2000. When did this storm or storms occur?

Response No. OPUC 4-4:

This storm was an ice storm that occurred in late December 2000. The details of the storm costs were included in Mr. Wilson's direct testimony in Docket No. 37364, which is publicly available on the Commission's Interchange.

Prepared By: Gregory S. Wilson

Title: Vice President & Principal

Sponsored By: Gregory S. Wilson

Title: Vice President & Principal

**SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO OFFICE OF
PUBLIC UTILITY COUNSEL'S FOURTH REQUEST FOR INFORMATION**

Question No. OPUC 4-5:

Please refer to the Direct Testimony of Mr. Gregory S. Wilson, Exhibit GSW-3. Please admit or deny that Mr. Wilson has always conducted his Monte Carlo analysis for regulatory proceedings with at least 20 years of data. If deny, please provide the case numbers for those regulatory proceedings in which Mr. Wilson used less than 20 years of data and a brief description of the reasons for using less data points in those proceedings.

Response No. OPUC 4-5:

Deny. Mr. Wilson uses the total amount of data that is available. Over the years, his testimony has used anywhere from less than 10 years to 23 years. The docket numbers of the proceedings in which Mr. Wilson has provided testimony are set forth on page 2 of his direct testimony. Mr. Wilson's testimony in these proceedings is available on the Commission's Interchange.

Prepared By: Gregory S. Wilson

Title: Vice President & Principal

Sponsored By: Gregory S. Wilson

Title: Vice President & Principal

SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO OFFICE OF
PUBLIC UTILITY COUNSEL'S FOURTH REQUEST FOR INFORMATION**

Question No. OPUC 4-6:

Please reference WP/A-3.2, sponsored by Mr. Michael Baird. Please provide a detailed explanation as to why the adjustment to the annual incentive compensation for FERC Account 5880 shows an increase of approximately 540% over test year actual. Please be sure to reference all schedules and workpapers that support this adjustment.

Response No. OPUC 4-6:

An estimated payout of the annual incentive plans are determined early in the applicable year with the actual payout occurring in the following year. This estimate is used to determine the amounts recorded as overheads to payroll activity throughout the year. The estimated amounts are reviewed periodically during the year based on current and projections of realized goals and entries, as needed, are made during the quarter end closing processes to accrue for changes in that quarter and make any applicable adjustments in the remaining overhead loadings. The accruals are reversed in the following period and an adjustment to the overhead rate is made to incorporate the new estimates in the overheads for the remainder of the current fiscal year. These one-off entries are recorded to a specific account for each functional group as opposed to multiple accounts within the function. The entries related to the Distribution annual incentive plan are recorded to FERC account 588. During the current test year, a reduction in the projection was recorded in December 2019. Because that was the last month of the fiscal year, there were no future periods to reverse the entry and effectively distribute the reduction in the projection to the other Distribution accounts. In addition, a reduction in the first quarter of 2020 was recorded in March 2020. Because this was the end of the test year, no future periods were captured to distribute the reduction to the other Distribution accounts via the overhead process. These entries caused FERC account 588 to be artificially lowered as opposed to distributing the reductions across the Distribution operations and maintenance accounts. The result is FERC Account 588 in the test year is too low and the other distribution FERC accounts are too high. The pro forma adjustment allocation to the various FERC distribution accounts fixes this issue and results in a proper amount of incentive being assigned to each distribution FERC account (i.e. a larger increase to FERC Account 588 and lower increases to other distribution FERC Accounts).

Prepared By: Frances K. Bourland

Title: Regulatory Acctg Case Mgr

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

**SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO OFFICE OF
PUBLIC UTILITY COUNSEL'S FOURTH REQUEST FOR INFORMATION**

Question No. OPUC 4-7:

Please reference WP/A-3.2, Tab "icp proforma," Excel line 80, sponsored by Mr. Michael Baird. Please provide the native Excel worksheets with all formulae intact that are included in the referenced file "H:\VADDRAFrancieSWEPCO 2020[Labor 2020.xlsx]calc of 1.0 icp target."

Response No. OPUC 4-7:

See OPUC 4-7 Attachment 1 for the information requested.

Prepared By: Frances K. Bourland

Title: Regulatory Acctg Case Mgr

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

SOUTHWESTERN ELECTRIC POWER COMPANY
calc of 1.0 icp target

SOAH Docket No. 473-21-0538
PUC Docket No. 51415
OPUC 4th, Q. # OPUC 4-7
Attachment 1
Page 1 of 3

	141	148	149	155	
2019 1.0 target	5,142,481.00	546,731.00	4,182,230.00	782,208.00	10,653,650.00
9 mos of 2019 target	3,856,860.75	410,048.25	3,136,672.50	586,656.00	7,990,237.50
2020 1.0 target	5,789,982.11	559,192.74	4,479,505.95	884,629.07	11,713,309.87
3 mos of 2020 target	1,447,495.53	139,798.18	1,119,876.49	221,157.27	2,928,327.47
total test year 1.0	5,304,356.28	549,846.43	4,256,548.99	807,813.27	10,918,564.97

SOUTHWESTERN ELECTRIC POWER COMPANY
calc of 1.0 icp target

SOAH Docket No. 473-21-0538
PUC Docket No. 51415
OPUC 4th, Q. # OPUC 4-7
Attachment 1
Page 2 of 3

BUACCOUNTNODE	SumOfTargetAward
159242062313263R Total	3,870,335.00
159242062410038R Total	110,441.00
159242062410370R Total	121,049.00
159242062410559R Total	31,937.00
159242063511991R Total	15,022.00
161242062313263R Total	1,272,146.00
161242062410038R Total	97,480.00
161242062410370R Total	58,913.00
168242062410038R Total	91,471.00
168242063511991R Total	4,167,208.00
194242062410038R Total	35,440.00
194242066012916R Total	782,208.00
	10,653,650.00
Distribution	5,142,481.00
Support Staff	546,731.00
Generation	4,182,230.00
Transmission	782,208.00
	10,653,650.00

SOUTHWESTERN ELECTRIC POWER COMPANY
calc of 1.0 icp target

SOAH Docket No. 473-21-0538
PUC Docket No. 51415
OPUC 4th, Q. # OPUC 4-7
Attachment 1
Page 3 of 3

BUACCOUNTNODE	SumOfTargetAward
159242062313263R Total	4,342,984.54
159242062410038R Total	125,187.68
159242062410370R Total	25,847.12
159242062410559R Total	98,707.14
159242066012916R Total	35,732.42
161242062313263R Total	1,446,997.57
161242062410038R Total	104,011.44
161242062410559R Total	59,453.20
168242062410038R Total	103,808.01
168242063511991R Total	4,479,505.95
194242062410038R Total	42,178.14
194242066012916R Total	848,896.65
	11,713,309.87
 Distribution	 5,789,982.11
Support Staff	559,192.74
Generation	4,479,505.95
Transmision	884,629.07
	11,713,309.87

**SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415**

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO OFFICE OF
PUBLIC UTILITY COUNSEL'S FOURTH REQUEST FOR INFORMATION**

Question No. OPUC 4-8:

Please reference WP/A-3.2, Tab "Att 1 union targets," sponsored by Mr. Michael Baird. Please provide the actual test year per book amounts of annual incentive compensation applicable for SWEPCO union employees using the same categories of 141, 148, 149 and 155 as shown on this worksheet.

Response No. OPUC 4-8:

The test year per book amounts are based on accruals of the annual incentive compensation. The Company does not distinguish between union and non-union employees in its accrual process. Applying the same process to the book accruals as was used in the target analysis, the following test year amounts can be calculated as below:

Distribution (141) \$2,335,222
Support Staff (148) \$483,603
Generation (149) \$2,398,646
Transmission (155) \$431,962

Prepared By: Frances K. Bourland

Title: Regulatory Acctg Case Mgr

Prepared By: Randall W. Hamlett

Title: Dir Regulatory Acctg Svcs

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO OFFICE OF
PUBLIC UTILITY COUNSEL'S FOURTH REQUEST FOR INFORMATION**

Question No. OPUC 4-9:

Please reference WP/A-3.2, Sponsored by Mr. Michael Baird. Please provide a detailed explanation of the use of the 75% weighting for the 2019 Incentive comp and the 25% weighting for the 2020 incentive comp. How does this weighting compare to the actual amounts recorded per book in each period? Please include in your response the monthly per book amounts of the annual incentive compensation for the test year.

Response No. OPUC 4-9:

The factors of 75% for 2019 and 25% for 2020 were used because 75% of the test year fell in 2019 and 25% in 2020. Incentives are accrued throughout the year and can change from month to month with the updates to the award projections based on current goal results. Using 75% of the 2019 target amounts and 25% of the 2020 target amounts equalize those fluctuations.

The monthly per book amounts of the annual incentive compensation for the test year are: Year
Month Total

2019	4	\$841,981.00
2019	5	\$821,195.25
2019	6	\$788,530.53
2019	7	\$832,893.22
2019	8	\$830,625.40
2019	9	\$3,023,059.20
2019	10	\$1,414,092.21
2019	11	\$1,504,410.41
2019	12	\$4,667,998.43
2020	1	\$939,431.13
2020	2	\$902,792.27
2020	3	\$(1,260,050.85)

Prepared By: Frances K. Bourland

Title: Regulatory Acctg Case Mgr

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415

SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO OFFICE OF
PUBLIC UTILITY COUNSEL'S FOURTH REQUEST FOR INFORMATION

Question No. OPUC 4-10:

Please reference WP/A-3.2, sponsored by Mr. Michael Baird. Please admit or deny that the 2021 annual incentive awards as reflected in the 2021 amounts have been awarded. If deny, please provide an explanation as to why the Application includes the use of these awards in the computation of annual incentive compensation expense. If admit, please provide the actual amount of the awards by employee along with the actual percentage awarded relative to the target percentage for any employee whose annual incentive compensation is included in this filing.

Response No. OPUC 4-10:

Annual incentives are accrued throughout the calendar year and paid the following year. The years noted on the referenced workpaper relate to the payment dates. The amounts shown with a reference of 2021 reflect amounts accrued in 2020 to be paid in March 2021 and coincide with the accruals in the last three months of the Test Year, January through March 2020.

Prepared By: Frances K. Bourland

Title: Regulatory Acctg Case Mgr

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch

SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415

**SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO OFFICE OF
PUBLIC UTILITY COUNSEL'S FOURTH REQUEST FOR INFORMATION**

Question No. OPUC 4-11:

Please reference WP/A-3.2, sponsored by Mr. Michael Baird. Please provide a detailed explanation of the formulae included on Excel row 104 in columns C and H.

Response No. OPUC 4-11:

The calculation for the annual incentive plan presented in columns C and H of WP/A-3.2 is comprised of two pieces. The financial based measure and funding measure for those two pieces differ. The formulae in cells C104 and H104 blend the ratios for the two parts. In 2019, PART A related to 87.1% of the plan and carried a 7% financial measure and a 70% funding measure. To calculate PART A's non-financial portion of the incentive, the formula uses 87.1% of the '1.0 target with billings removed' (C99*0.871), reduces it by the financial measure (one minus 7% or .93) then reduces it by 1/2 of the funding measure (one minus half of 70% or .65). In 2019, PART B related to 12.9% of the plan and carried a 70% financial measure and 0% funding measure. To calculate PART B's non-financial portion of the incentive, the formula uses 12.9% of the '1.0 target with billings removed' (C99*.129) and reduces it by the financial measure (one minus 70% or .30). The calculation in column H row 104 follows the same methodology with changes in the blend of PART A and PART B to 86.63% and 13.37% respectively, the financial measure for PART A to 15%.

Prepared By: Frances K. Bourland

Title: Regulatory Acctg Case Mgr

Sponsored By: Michael A. Baird

Title: Mng Dir Acctng Policy & Rsrch